

# SENIOR SECONDARY INTERVENTION PROGRAMME 2013



## GRADE 12

## BUSINESS STUDIES

## LEARNER NOTES

The SSIP is supported by



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## LEARNER NOTES

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## SESSION 1: TOPIC 1: DEVELOP STRATEGIES IN RESPONSE TO CHALLENGES IN THE THREE BUSINESS ENVIRONMENTS

### Learner Note:

Remember the three business environments, the elements and challenges of each environment:

Study the notes on:

- The challenges and strategies in the environments.
- SWOT analysis.
- Formulating, implementing and evaluating strategies.

### SECTION A: TYPICAL EXAM QUESTIONS: TOPIC 1:

**QUESTION 1:**      **5 minutes**

*(Various sources)*

### HINT

You need only write down the question number with the correct alphabet letter.

One of the situations in column B will not fit at all.

Match the factors of the macro environment in column A with the situations in column B

A	B
1.1 Political	A. The dumping of poisonous chemicals in a river.
1.2 Economic	B. The implementation of the National Credit Act in 2007.
1.3 Social	C. The Reserve Bank increasing the repo rate.
1.4 Technological	D. Governments role in dealing with unemployment.
1.5 Legal	E. New software used in business
1.6 Environmental	F. Competing against cheap imports
	G. The high rate of HIV in South Africa

(6 x 2) [12]

**QUESTION 2: 35 minute***(Taken from DOE Nov. 2009)***HINT**

This is an essay question. Structure is important. Introduction, body and conclusion.

Do not write in paragraph style. Use full sentences but in point form.

Strategies should be given for the challenges in swot analysis.

Do not forget the evaluation of strategies.

**GOOD LUCK GLASS RECYCLING**

Consol Glass advertised on radio that the company wanted to increase its recycling volumes. Cato and Dominic, two school friends, decided to take this opportunity to launch their business, GOOD LUCK GLASS RECYCLING, in KwaZulu-Natal. Cato had studied Business Studies up to Grade 12 level and he was currently doing a course in Business Management at Unisa. Dominic was responsible for the daily operation of the business. They approached their former school, Umlazi High School, with a recycling proposal. The business would supply a container at no cost. Once the container was full, they would collect it from the school and in turn give the school a cash incentive. The project was launched in March 2008, and by the end of the year, they had 23 schools involved in the project. GOOD LUCK GLASS RECYCLING have three permanent staff members and one casual employee.

The following are some of the challenges of their business operation:

- Three of their delivery vehicles are not in a good running condition.
- Convincing banks to finance the business operation.
- Changing learner attitudes towards glass recycling.
- Getting to grips with the tender processes to secure tenders.

Cato and Dominic have a vision of establishing five buy-back centres in KwaZulu-Natal. They want to sell recycled bottles to several other manufacturers. They also receive waste glass from various glass manufacturers in the province.

Develop a detailed SWOT analysis for GOOD LUCK GLASS RECYCLING.

Formulate strategies to overcome their challenges and state how the strategies could be evaluated.

[40]

## TOPIC 2: DEVELOP STRATEGIES IN RESPONSE TO CHALLENGES IN THE THREE BUSINESS ENVIRONMENTS – TYPES OF STRATEGIES

**Learner Note:** Strategies are developed for challenges that arise. Many of the strategies that you might have thought of in the previous essay question could be classified into different categories, or we could say different **types of strategies**. You need to learn these and now start applying them to challenges which arise in case studies.

### SECTION A: TYPICAL EXAM QUESTIONS: TOPIC 2

**QUESTION 1:** 15 minutes

*(Various sources)*

#### HINT

When answering a question of this nature use the elimination technique if you are unsure. This means that you should start with those which you know.

Identify the type of strategy that is being implemented by Crazy Stores from those given in the block below.

**Backward integration Liquidation Market penetration Retrenchment  
Divestiture**

**Horizontal integration Conglomerate diversification Product development**

**Concentric diversification Market development**

- 1.1 Crazy stores decides to buy a supplier of theirs. This will enable them to ensure a continuous supply of products at the most reasonable prices.
- 1.2 Crazy Stores sales manager decides to reduce the mark-up on ladies cosmetics so as to increase sales.
- 1.3 Crazy Stores sales manager decides to sell out the ladies cosmetic department because of poor performance.
- 1.4 New products are going to be introduced to replace the slow lines.
- 1.5 The business adds new products or services that are unrelated to existing products, but which may appeal to new groups of customers.
- 1.6 Crazy Stores marketing team are looking at the possibility of exporting some lines to European markets.
- 1.7 Buying out a competitor to reduce the threat from the competition.
- 1.8 Crazy Stores wants to add new products which are related to existing products and which will appeal to new customers.

1.9 Owing to poor business, the Human Resource department will have to cut jobs.

1.10 If the recession continues and business does not improve, assets will have to be sold off so as to meet debts. (10 x 2) [20]

**QUESTION 2: 10 minutes** (Various sources)

Discuss the FIVE steps that should be used when evaluating whether strategies should be kept or changed. (5 x 2) [10]

**QUESTION 3: 15 minutes** (Various sources)

Briefly outline when it would be best for a business to utilise the following strategies:

- |     |                                       |      |
|-----|---------------------------------------|------|
| 3.1 | The replacement of employees          | (8)  |
| 3.2 | Revising the mission of a business    | (2)  |
| 3.3 | Issuing stock to raise capital        | (2)  |
| 3.4 | Adding additional sales staff         | (2)  |
| 3.5 | Developing new performance incentives | (2)  |
|     |                                       | [16] |

## SECTION B: ADDITIONAL CONTENT NOTES (TOPIC 1)

**Micro environment: (Management has full control over the micro environment)**

Elements:

- Vision, mission, strategy and objectives
- Organisational resources
- Business functions
- Organisational culture and working environment

Challenges:

- Difficult employees
- Lack of vision and mission
- Lack of adequate management skills
- Unions
- Labour action

**Market environment: (Management does not have any control over the market environment, but management can influence the control factors.)**

Elements:

- Consumers
- Competitors
- Suppliers
- Civil society
- Intermediaries

Challenges:

- Competition
- Shortages of supply
- Changes in consumer tastes and habits
- Socio cultural factors
- Demographics
- Psychographics

**Macro environment: (Management has no control over the macro environment.)**

Elements:

- Political environment
- Economic environment
- Social environment
- Technological environment
- Legal environment
- Environmental environment

Challenges:

- Changes in income levels
- Globalisation
- Political changes
- Contemporary legislation
- Labour restrictions
- Socio economic issues
- Inflation
- Changes in interest rates
- Changes in fuel prices

Strategies:

- A strategy is a plan of action to achieve a goal and serves as an enterprise's overall plan of development.
- A strategy indicates direction and guides the allocation of resources in a business enterprise.

A business enterprise needs to develop strategies in response to challenges and changes in the business environments.

A business enterprise cannot develop a strategy to react to challenges in the business environment, unless the business knows which challenges can be encountered in each of the three business environments.

A business can use a **SWOT analysis** to analyse the strengths, weaknesses, threats and opportunities in each of the business environments.

<b>Strengths</b>	<b>Weaknesses</b>
Internal	Internal
<b>Opportunities</b>	<b>Threats</b>
External	External

**Formulation of strategies** - Strategies can be formulated by making use of the following steps/factors to consider when developing strategies:

- Determine a vision or mission or adapt the existing ones by asking what the business wants to achieve.
- Identify the enterprise's strengths, weaknesses, opportunities and threats so that the enterprise can build upon its strengths and address its weaknesses.
- Set long-term goals that will enable the enterprise to achieve its mission and vision.
- Generate several strategies to address all strategic issues in the business environment.
- Choose the strategy that will best resolve the strategic issue at hand.

**Implementing strategies** - Strategy implementation involves putting the strategy that was formulated during the strategy formulation process into action.

Steps in implementation:

- Budget for the implementing of the strategic plan.
- Use all resources available to the advantage of the business.
- Develop an organisational structure to assist the execution of the plan.
- Motivate and unite the human resources to execute the strategy.
- Get business policies in place to make execution possible.
- Ensure Management assists the implementation through creative leadership.
- Solve the challenge through active involvement of all affected persons.
- Adapt the implementation of the strategy according to each situation.
- Provide the necessary strategic leadership to manage changes.



**Evaluation of strategies** - The process of monitoring corporate activities and performance results, so that actual performance can be compared with desired performance.

The purpose for evaluation of strategies is to see if the implemented strategy has solved the challenge.

Steps to be used during the evaluation process:

- Determine the results the business wants to create and measure the final results against it.
- Compare expecting performance with actual performance to determine deviations.
- Determine the reasons for deviations and analyse the reasons for these deviations.
- Determine affirmative actions to prevent these deviations in the future.
- Take corrective action

## SECTION B: ADDITIONAL CONTENT NOTES (TOPIC 2)

### Integration strategies

– A strategy utilised in business when the need for an alliance, merger or takeover arises. This integration can be either vertical or horizontal.

**Horizontal integration** - Amalgamation with or takeover of other businesses in the same field. E.g. Takeover of competitors with substitute and / or complimentary goods.

This is a suitable strategy to utilise in the following situations:

- Acquiring competitors to reduce the threat from the competition.
- Acquiring activities that are substitutes for the business's products.
- Acquiring activities dealing with complementary products.

**Backward integration** - A form of vertical integration that combines a business with its suppliers in order to reduce the business's dependency on the supplier.

E.g. a dairy combines with, or buys out a milk farm to reduce the risk associated with the supply and price of milk.

**Vertical integration** - Involves an enterprise taking control over either its suppliers or distributors. This integration can either be forward or backward:

Forward integration - Where the business amalgamates /combines with its distributors so as to gain control of the direct distribution of the products.

E.g. a cattle farmer setting up his/her own butchery

### Intensive strategies

–Intensive strategies are aimed at increasing sales and market share by using available resources. The following are types of intensive strategies:

**Market penetration** - A growth strategy where the business focuses on selling existing products into existing markets. The following methods can be used to penetrate a market:

Decrease in prices, increase of marketing personnel to sell more goods, more advertisements and promotions, etc.

**Market development** - A growth strategy where the business aims to sell its existing products into new markets. The following methods can be used to develop a new market:

Finding of new target markets abroad, exporting of stock, new / extra distribution channels, improvement of packaging material, different pricing policies to gain new consumers, etc.

**Product development** - A growth strategy where the business aims to introduce new products into existing markets. The development of new products can be a very costly exercise.

### **Diversification strategies**

– **A growth strategy where a business markets new products in new markets. It is used to increase the sales and to ensure that there is a growth in a business. This strategy has a high risk, because the business finds itself in an unknown territory. The following are types of diversification strategies:**

**Concentric diversification** - A growth strategy where the business adds new products or services which are related to existing products and which will appeal to new customers.

E.g. The introduction of a DVD player which can record on its hard drive.

**Horizontal diversification** - A growth strategy where the business adds new products or services that are unrelated to existing products, but which may appeal to existing customers.

E.g. A ladies clothing boutique introducing jewellery.

**Conglomerate diversification** - A growth strategy where the business adds new products or services that are unrelated to existing products, but which may appeal to new groups of customers.

E.g. If a mining corporate starts diversifying into other unrelated lines such as property, finance, insurance, etc.

### **Defensive strategies**

– **These strategies are usually resorted to when the business is under severe pressure with very few options.**

**Retrenchment** - Aimed at decreasing the costs by decreasing:

the number of posts, the number of products or closing of certain departments, etc.

It usually results in loss of skills and markets for the business.

**Divestiture** – A business sells certain parts of the business that are not profitable, or it sells off assets which are not productive. It could involve a company which sells ownership by decreasing the number of shareholders.

**Liquidation** - By selling the assets of the business so as to raise cash to pay the debtors, pay off the employees and close off the business. During liquidation, assets are usually sold for much less than book value which means that the business will lose out.

**Other strategies:**

**Replacing individuals** - Employing the best employees will help a business enterprise achieve its objectives. Employees need to be replaced when they:

- do not fit into the business
- are unable to cope
- resign or retire
- are promoted

**Revising a business's mission** - As the business expands, it will be necessary to revise the mission to adapt to changing business environments.

- Establishing or revising objectives
- Devising new policies
- Issuing stock to raise capital - A company mainly issues stock/shares to raise capital in order to expand its operations.
- Adding additional sales staff - A business can employ additional sales staff in an effort to increase sales.
- Allocating resources differently
- Developing new performance incentives - Performance incentives can be a strategy to expand the business.

**SECTION C: HOMEWORK****QUESTION 1: 10 minutes**

Four possible options are provided as answers to the following questions. Choose the correct answer and write only the letter (A – D) next to the question number in your book, for example 1.7 B

1.1 Wholesalers who purchase goods from a clothing manufacturer would be part of the clothing \_\_\_\_\_ manufacturers environment:

- A micro
- B market
- C macro
- D technological

1.2 In order to meet the challenge of changing technology, businesses must ...

- A create more working days.
- B produce more products.
- C regularly train staff members.
- D employ more workers.

1.3 The business environment over which the business has the most amount of control:

- A Micro
- B Market
- C Macro
- D External

1.4 Firms which supply advertising and cleaning services to a business would be part of the business \_\_\_\_\_ environment.

- A Micro
- B Market
- C Macro
- D External

1.5 Which statement regarding a SWOT analysis is correct?

- A External strengths and internal weaknesses
- B Internal threats and internal weaknesses
- C Internal strengths and external opportunities
- D Internal weaknesses and internal opportunities

(5 x 2) [10]

**QUESTION 2: 5 minutes**

Name any FIVE factors of the market environment.

(5 x 2) [10]

**QUESTION 3: 15 minutes**

Prepare a SWOT analysis for a business idea which you have.

[20]

<b>SECTION D: TOPIC 1: SOLUTIONS AND HINTS TO SECTION A:</b>
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**QUESTION 1**

- 1.1 D✓✓
- 1.2 C✓✓
- 1.3 G✓✓
- 1.4 E✓✓
- 1.5 B✓✓
- 1.6 A✓✓

(6 x 2) [12]

**QUESTION 2**

## Introduction

- A strategy is a creative plan for success. ✓
- The strategic plan outlines the strategy. ✓
- The top management team is responsible for the drawing up of a strategic plan. ✓
- Scanning the internal and external environment. ✓
- Understanding the nature and impact of the business environment. ✓
- Any other relevant introduction based on the case study. (any 3 x 1) (3)

## Development of strategies

## Vision Statement ✓✓

- Good Luck Glass Recycling wants to be the leading glass-recycling business in KwaZulu-Natal. ✓✓
- To establish five buy-back centres in future. ✓✓
- Any other relevant answer related to vision statement. (Max. 2)

## Setting up the goals or objectives. ✓✓

- To involve more schools in their project of glass recycling. ✓✓
- To be a highly profitable business. ✓✓ (Max. 2)

STRENGTHS ✓	WEAKNESSES ✓
Connection with Consol Glass ✓✓ Cato has Business Studies up to Grade 12 level ✓✓ Cato is obtaining skills in Business Management ✓✓ There are 23 schools ✓✓	Delivery vehicles not in good condition ✓✓ Convincing financial institutions to give them funding ✓✓ Changing attitudes to glass recycling ✓✓ Getting to grips with the tender process ✓✓
OPPORTUNITIES ✓	THREATS ✓
Establishing five buy-back centres ✓✓ To approach more schools ✓✓ More contacts from glass manufacturers ✓✓ Getting to grips with the tender process ✓✓ Changing attitudes to glass recycling ✓✓	Other glass recycling businesses. ✓✓ Trade unions' demands of higher salaries and wages ✓✓ Casual worker can leave at any time ✓✓ Getting to grips with the tender process ✓✓ Convincing financial institutions to give them funding ✓✓

- Any other relevant answer related to goals and objectives. (Max. 2)

**(Max. 20)**

### Formulation of strategies in response to the above challenges/weaknesses/threats and implementation.

- Arrange a contract with a mechanic in the nearby vicinity to repair the vehicles on a permanent basis. √√
  - Approach an institution which understand the unique needs of small businesses e.g. Business Partners to obtain a loan from them √√
  - Distribute pamphlets through schools and post offices regarding benefits of recycling of glass. √√
  - Attend courses through a SETA on correct procedures with the tender process √√
  - Advertise the business in the newspaper √√
  - Retrenching the workers √√
  - Motivate and train the workers to obtain higher productivity √√
  - Give the worker benefits to keep him/her as a worker. √√
- (Max. 10)

### Evaluation of strategies

- After the above-mentioned strategies are implemented, the strategies must be evaluated to determine whether the strategies were successful or not. √√
  - Those strategies that were not successful, must be reviewed by implementing alternatives. √√
  - Set specific dates for control and follow up. √√
  - Examine the underlying basis of business strategy. √√
  - Compare expected performance and take corrective action. √√
  - Conduct market research and prepare report. √√
- (Max. 10)

### Conclusion

- Strategic planning and implementation is a continuous process and needs to be revised on an ongoing basis. √√
  - Top management must do the revision regularly to ensure success and sustainability of the business.
  - Any appropriate conclusion.
- (1 x 2) (2)  
**Max [32]**

### INSIGHT

Layout	2
Analysis, interpretation	2
Synthesis	2
Originality, examples	2
	[8]

**TOTAL MARKS:[40]**

<b>SECTION D: TOPIC 2: SOLUTIONS AND HINTS TO SECTION A</b>
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**QUESTION 1**

- 1.1.1 Backward integration ✓✓
- 1.1.2 Market penetration ✓✓
- 1.1.3 Divestiture ✓✓
- 1.1.4 Product development ✓✓
- 1.1.5 Conglomerate diversification ✓✓
- 1.1.6 Market development ✓✓
- 1.1.7 Horizontal integration ✓✓
- 1.1.8 Concentric diversification ✓✓
- 1.1.9 Retrenchment ✓✓
- 1.1.10 Liquidation ✓✓

(10 x 2) [20]

**QUESTION 2**

- Determine the results the business wants to create and measure the final results against it. ✓✓
- Compare expecting performance with actual performance to determine deviations. ✓✓
- Determine the reasons for deviations and analyse the reasons for these deviations. ✓✓
- Determine affirmative actions to prevent these deviations in the future. ✓✓
- Take corrective action. ✓✓

(5 x 2) [10]

**QUESTION 3**

3.1 The replacement of employees is used in the following cases:

When employees do not fit into the business ✓✓

When employees show resistance to change ✓✓

When employees retire or resign ✓✓

When employees who are promoted and vacancies arise ✓✓

When employees cannot cope with the work ✓✓

( Any 4 x 2) [8]

3.2 As the business expands, it will be necessary to revise the mission to adapt to changing business environments. ✓✓ (2)

3.3 When a company wants to expand its operations it may issue stock/shares to raise capital. ✓✓ (2)

3.4 A business employs additional sales staff in an effort to increase sales. ✓✓ (2)

3.5 Performance incentives can be used as a strategy to expand the business. ✓✓ (2)

**[16]**

**SESSION 2: TOPIC 1: CORPORATE CITIZENSHIP**

**Learner Note:** Businesses cannot operate only to make profits. In their operations they are impacting on society and also on the environment. Therefore, it would only be correct for them to give back to society and the environment. Study the notes provided and answer the questions

**SECTION A: TYPICAL EXAM QUESTIONS: TOPIC 1:****QUESTION 1: 5 minutes 4 marks***(DOE Nov. 2009)*

Describe the term Corporate Social Responsibility (CSR). (4)

**Hints:** When more than 2 marks are allocated in a short definition, use examples to obtain the full 4 marks.

**QUESTION 2: 20 minutes 12 marks***(DOE Nov. 2008)*

Read the following case study and answer the questions that follow.

Grinaker-LTA's contribution to the community.

Grinaker-LTA strives to ensure that its work benefits as many people as possible while providing stability and security for future generations. The Group has committed itself to spending 1% of annual earnings on Corporate Social Investment (CSI).

Significant funds have been committed to the National Business Initiative (NBI), an organisation created to enhance a business's contribution to South Africa's success. The NBI's three main pillars to improve the status of ordinary South Africans are education, economic growth and effective governance.

The group has recently allocated funding for educational material for the Maths Centre for Professional Teachers and the SAICE Schools Bridge-building competition which aims to increase awareness and interest in the civil engineering profession amongst secondary school learners.

This is in addition to the assistance given to upgrading existing schools, and building new schools in both urban and rural areas.

[Adapted from: [www.grinaker-lta.com](http://www.grinaker-lta.com)]

- 2.1 Identify TWO social responsibility programmes implemented by Grinaker-LTA for the community. (4)
- 2.2 Justify Grinaker LTA's decision to spend 1% of their annual earnings on CSI, with regard to both the company and the community. (8)
- [12]

**HINTS:** The answers to 2.1 are in the article. The answers to 2.2 will be the benefits of CSI to the business and the community. Mark allocation must indicate how many facts to be given. 2 marks per fact.



**QUESTION 3:** 15 minutes 12 marks (DOE Mar. 2010)

Richards Bay Minerals is a mining company situated in Richards Bay. Explain how the company can improve the following challenges faced by the local community. Use examples to motivate your answer.

- 3.1 Poor education facilities (4)  
 3.2 High crime rate (4)  
 3.3 Limited housing infrastructure (4)  
 [12]

**HINTS:** The answer to this question would not only apply to Richards Bay but to any locality.

## TOPIC 2: SOCIO ECONOMIC ISSUES AND CORPORATE CITIZENSHIP

**Learner Note:** In getting involved in CSI projects, businesses have to give special attention to socio-economic issues and, by doing so, they and the economy will benefit in the long term. After studying the notes on these issues answer the questions.

**QUESTION 1:** 15 minutes 12 marks (DOE Nov. 2009)

Identify any THREE socio-economic issues that may pose challenges to businesses and explain how they could address them. [12]

**HINT:** Do not get confused by writing down the causes and the impacts of these issues. The question is asking for the role of businesses in solving these issues. **Do not** give the role of government as this is not asked. Remember that mark allocation is your guide.  $3 \times 4 = (12)$

**QUESTION 2:** 15 minutes 12 marks (Various sources)

South Africa has been ravaged by unemployment and HIV/Aids. Discuss the impact that each one of these socio-economic issues has had on business and the economy of the country. [12]

**HINT:** In this question you must discuss the negative impact that these two issues are having on business and the economy. Remember that mark allocation is your guide.  $2 \times 6 = (12)$

**QUESTION 3:** 10 minutes 8 marks (Various sources)

Identify and explain any four causes of unemployment in South Africa. (4 x 2) [8]

**SECTION B: ADDITIONAL CONTENT NOTES: TOPIC 1: CORPORATE CITIZENSHIP****CORPORATE CITIZENSHIP**

It is the responsibility of the management team of a business to protect and enlarge the interest of the business together with the welfare of the community. This should be done by means of corporate social responsibility and corporate social investment

**Corporate social responsibility**

This is when a business voluntarily takes steps to improve the quality of life for employees and their families, the local community and society at large.

CSR encourages business enterprises to consider the interests of society by taking responsibility for the impact of the business's activities on customers, employees, shareholders, communities and the environment.

**Corporate social investment**

It is the money that businesses spend on the community to improve the standard of living of the community. The aim of corporate social investment is to contribute to sustainable economic development.

**The nature of the CSI process**

It is normally implemented by bigger businesses. CSI is enforced by law -(BEE).

Government expects big business enterprises to make a CSI contribution.

BEE-Companies play a major role in CSI and it is seen as a political expectation.

The business decides which programme it will implement for the community.

Business must ensure that the project will solve a specific socio-economic or environmental issue. CSI plays a positive role in the development of communities.

Businesses have to take interest in society through CSI by:

- Assisting in poverty alleviation.
- Protecting the environment, e.g. being involved in conservation projects.
- Providing education and training for disadvantaged people, e.g. skills development.
- Investing in the well-being and advancement of employees, their families and communities, e.g. by providing employees with housing subsidies.
- Providing sponsorships to sports events.
- Delivering services that government is unable or slow to deliver, e.g. Dial Direct and the Pothole Brigade.
- Investing in job creation projects.

**The CSI process:**

- The business decides which programme to implement.
- Business must ensure that the project targets a specific socio-economic or environmental issue.
- Businesses register the specific project with the relevant authority.
- Partnerships can be formed between the business, government and community in the implementing of these projects.
- Management must draw up a budget for the chosen project.
- Businesses must address the identified issue by spending the allocated funds on the project.

**Benefits of CSI for Business:**

- Assists in solving socio-economic issues like poverty.
- Gives business tax advantages such as tax reductions/rebates.
- Increases or improves the image of the business.
- Increases the productivity of workers because the workers are proud to do something for the community.
- Can be used as a marketing strategy.
- Helps to attract investors who want to invest in a business that is socially responsible. by having a CSI programme,
- Creates consumer loyalty to the business.
- Increases the possibility of getting experienced and good qualified employees, and keeping them in the business.
- Extends cliental values of the business.

**Problems of CSI for Business:**

- Businesses do not always have the skills/knowledge to solve community problems.
- It costs money which a business could have invested more profitably.
- Sufficient funds to become really involved in uplifting programmes may not always be available, and this may be a financial burden.
- It might be problematic to keep up the project during economic downturns. This creates pressure from the community.
- Businesses may lack skilled personnel to manage these projects.
- Some of these projects are time consuming.
- Businesses pay a lot of tax to government so that social issues can be addressed. If a business is involved in CSR as well, this would mean double taxation.
- CSI projects can lead to the need for extra personnel to manage these projects.
- Businesses need to prepare detailed reports on their CSI programmes.

**Benefits of CSI for Communities:**

- CSI improves the standard of living and the quality of life of communities.
- CSI projects generate employment by creating job opportunities.
- Education and training can be provided by CSI projects.
- CSI projects contribute towards the provision of education, health care and social development.
- CSI projects often help to improve infrastructure which is used by all members of the community.
- It helps in reducing socio-economic issues.

**Problems of CSI for Communities:**

- The community may become too dependent on businesses CSI initiatives.
- Some businesses are not sincere and only participate in CSI for the commercial benefit and not to help the community.
- CSI programmes are often undertaken to distract the public from other ethical issues.
- CSI programmes do not always focus on sustainability which only helps society in the short term, and the community suffers more later.
- Businesses force their policy on the community.

The three pillars of the triple bottom line

The JSE decided to launch the Social Responsibility Index to identify those companies listed on the JSE that integrate the principles of the triple bottom line into their business activities.

Social sustainability - People

Environmental sustainability- Planet

Economic sustainability – Profits

**SECTION B: ADDITIONAL CONTENT NOTES: TOPIC 2: SOCIO ECONOMIC ISSUES AND CORPORATE CITIZENSHIP**

**THE ROLE TO BE PLAYED BY BOTH GOVERNMENT AND BUSINESS (CSI) WITH REGARDS TO SOCIO-ECONOMIC ISSUES**

Socio-economic issues are those issues in society which would negatively influence the businesses as well as the economy. To ensure economic growth, the government as well as businesses, must do something about them. Some of these issues are:

- Unemployment
- Crime
- Poverty
- HIV/Aids
- Lack of skills

## UNEMPLOYMENT

- Unemployment refers to workers who are seeking employment but there is no work available.
- The unemployment rate in South Africa is high as there are too many unskilled workers, while the need for skilled workers exists.
- This has increased because of immigrants who are prepared to work for lower wages.
- Work opportunities are scarce and because of technology development, many opportunities are abolished.
- While the government is busy trying to do something about it, it would be necessary for business to play their part in resolving this problem.
- Rigid labour legislation has been a major reason why businesses are less keen to appoint workers.
- The recession or slow economic growth also contributes to this problem.
- The strengthening of the rand has caused many gold mines to close, resulting in many job losses.
- Unemployment leads to poverty, crime and other social and welfare problems.
- Cheap imports have led to local manufacturers closing as they are unable to compete.
- Pressure from trade unions also causes businesses to reduce staff.

## POSSIBLE SOLUTIONS FOR THE UNEMPLOYMENT PROBLEM

- Business can be socially responsible by providing education and training for disadvantaged people through skills development.
- The development of entrepreneurial skills to give persons the opportunity to create jobs for themselves as well as for other people.
- Encouragement of learners to qualify themselves in a career field where jobs are available.
- Learnership projects which give persons the opportunity to earn a salary while they are being trained for a specific career.
- Job creation projects by local municipalities and other institutions.
- Implementation of the Skills Development Act and the expanding of SETAs.

## POVERTY

- Poverty-stricken people are people who do not have the basic goods to comply with the minimum life standard.
- That means that many people do not have an income to meet their needs for food, clothing and housing.
- Poverty is mainly caused by unemployment.
- Business and the broader community have a responsibility to supply food parcels, clothes, blankets, as well as uplifting opportunities like projects for illiterate persons.
- If Government wants to do something about poverty, it must do something about the education and training of people. The economy creates a lot of work opportunities, but only for skilled workers. Most of the people do not have the necessary skills.
- Poverty leads to other social problems, e.g. a lack of water, electricity, sanitation, etc.
- This in turn causes certain deceases, e.g. cholera which is a burden on health care.

**CRIME**

- South Africa's crime figures are amongst the highest in the world.
- Unemployment and poverty result in crime and this has a negative impact on business and the economy.
- That means business must increase their expenses to take precautionary measures like insurance, alarm systems, security guards, etc.
- These extra expenses decrease the profit, which means workers are paid off.
- Injuries and death of skilled workers, because of crime, is a burden on business.
- Clients avoid a business that is situated in high crime areas, which has a negative influence on the rate of turnover of that business.
- Foreign investors do not want to invest in South Africa because of the crime rate.
- Government and business have a responsibility towards crime.

**HIV/AIDS**

- South Africa has a very high rate of HIV/Aids infected people.
- This is negatively affecting the economy.
- People dying of this illness, reduce the labour force.
- Many of these workers are skilled persons who fulfill key positions.
- Workers with this illness stay away from work, and their absence has a negative influence on productivity.
- People dying of HIV/Aids means that the consumer spending is less, which has a negative influence on business.
- Business has to contribute more towards medical aid schemes.
- Children of parents who have died because of this illness, become a burden to the community because of housing, education and the care of these children.
- Business can contribute to education programmes to prevent this illness, tests to determine this illness, management of it in the workplace, etc.
- Businesses must have HIV/Aids awareness programmes and support programmes for their employees.
- Through CSI projects, businesses can establish feeding schemes for Aids orphans, assist in the building of HIV/Aids clinics and health centers.
- Train counsellors to assist persons with HIV/Aids.
- Provide ARVs to persons with HIV/Aids.

**SECTION C: HOMEWORK****QUESTION 1: 5 minutes***(DOE Exemplar 2008 and Nov. 2010)*

Four possible options are provided as answers to the following questions. Choose the correct answer and write only the letter (A – D) next to the question number in your book, e.g. 1.7 B

1.1 Which ONE of the following is an example of a social responsibility programme implemented by a business?

- A Increase in manager's salary
- B Sponsoring an HIV/Aids orphanage
- C Increasing profits
- D Discounting the prices of its products

(2)

1.2 The monitoring of best business practice includes economical, environmental and social issues. This is largely due to ...

- A SWOT analysis.
  - B King's Code
  - C general management.
  - D problem-solving techniques. (2)
- [4]

**QUESTION 2: 35 minutes 40 marks**

(DOE March 2009)

Analyse the nature and process of corporate social investment (CSI). Illustrate how it works and discuss the benefits and problems of CSI for both business and communities. Use current examples to illustrate your answer. [40]

### SECTION D: SOLUTIONS AND HINTS TO SECTION A: TOPIC 1

#### QUESTION 1

- Corporate social responsibility refers to the role played by corporate enterprises in providing for the urgent needs of the community in which they operate. √√
  - This programme includes poverty alleviation, education and training, and HIV/AIDS clinic, recreational facilities, etc. √√
- Make sure alternative answers are related to the question.
- Any other relevant description of corporate social responsibility that illustrates a full understanding of the concept.
- An example without an explanation to illustrate the concept – no marks. [4]

#### QUESTION 2

2.1

- Upgrading existing schools. √√
  - Building new schools in urban and rural areas. √√
  - Allocation of funds for SAICE Schools Bridge-building Competition. √√
  - Allocation of funds for educational material for the Maths Centre for Professional Teachers. √√
  - The National Business Initiative enhances education, economic growth and effective governance. √√
- Any relevant social responsibility program relating to the case study. (any 2 x 2) (4)

## 2.2

## Benefits to the Company

- Improves the image of the company. ✓✓
- The company enjoys goodwill/customer patronage. ✓✓
- Highly skilled workers can be attracted, e.g. engineers. ✓✓
- Serves as a marketing strategy to increase sales. ✓✓
- Increase productivity through greater commitment of employees. ✓✓
- Tax benefits for the company. ✓✓
- Sets a trend for other companies to follow. ✓✓

Any relevant answer relating to benefits to company. ✓✓

(any 3 x 2) (6)

## Benefits to the Community

- Job creation. ✓✓
- Poverty alleviation. ✓✓
- The standard of living of the community is uplifted. ✓✓
- Uplift the education and educational facilities of the community. ✓✓

Any relevant answer relating to benefits to the community ✓✓

(any 3 x 2) (6)

**Max: [8]**

**QUESTION 3**

## 3.1

## Poor education facilities.

- Building new schools with technical subjects. ✓✓
- Providing resources. ✓✓
- Supporting School Governing Bodies (SGB's) by funding the appointment of additional educators. ✓✓
- Any other relevant answer related to poor education facilities.

(2 x 2) (4)

## 3.2

## High crime rate.

- Create jobs for the local people. ✓✓
- Support crime prevention structures, e.g. Sponsor cars to patrol the crime hot spots. ✓✓

Any other relevant answer related to high crime rate.

(2 x 2) (4)

## 3.3

## Limited housing infrastructure.

- Building houses for poor families. ✓✓
- Renovation of dilapidated houses. ✓✓

Any other relevant answer related to limited housing infrastructure.

(2 x 2) (4)

**[12]**



**SECTION D: SOLUTIONS AND HINTS SECTION A: TOPIC 2****QUESTION 1: 15 minutes 12 marks***(DOE Nov. 2009)***HIV/AIDS (Accept any communicable disease e.g. TB.)** √√

- Build clinics and health centres for the communities. √√
- Train counsellors to provide assistance to affected persons. √√
- Supply affected employees with anti-retroviral medication (ARV) √√
- Any other relevant answer related to HIV.

Issue/Heading

(2)

Strategies/ Explanation

(1 x 2) (2) **(Max. 4)****Unemployment** √√

- Skills development programme through learnerships. √√
- Offer bursaries to students. √√
- Provide casual jobs to members of the community. √√
- Retraining. √√
- Any other relevant answer related to unemployment.

Issue/Heading

(2)

Strategies/ Explanation

1 x 2) (2) **(Max. 4)****Poverty** √√

- Provide housing subsidies to employees. √√
- Pay higher wages to employees. √√
- Sponsor orphans with food, clothing, education. √√
- Canteen facilities. √√
- Any other relevant answer related to poverty.

Issue/Heading

(2)

Strategies/ Explanation

1 x 2) (2) **(Max. 4)****Human Rights** √√

- Provision of healthy working conditions. √√
- Allow employees the freedom to practise their own religion. √√
- Treat all stakeholders with dignity and respect. √√
- Any other relevant answer related to human rights.
- Accept any other relevant socio-economic issue e.g. crime, security, gambling, human trafficking, piracy, xenophobia, over-population, prostitution, etc.

Issue/Heading

(2)

Strategies/ Explanation

1 x 2) (2) **(Max. 4)****(Any 3 x 4) [12]**

**QUESTION 2: 15 minutes 12 marks***(Various sources)*

## UNEMPLOYMENT

- Rigid labour legislation has been a major reason why businesses are less keen to appoint workers. √√
- The recession or slow economic growth also contributes to this problem.
- The strengthening of the rand has caused many gold mines to close resulting in many job losses.
- Unemployment leads to poverty, crime and other social and welfare problems.
- Cheap imports have lead to local manufacturers closing as they are unable to compete.
- Pressure from trade unions also causes businesses to reduce staff. **(Any 3 x 2) (6)**

## HIV/Aids

- People dying of this illness, reduces the labour force. √√
- Many of these workers are skilled persons who fulfill key positions.
- Workers with this illness, stay away from work, and their absence has a negative influence on productivity.
- People dying of HIV/Aids, means that the consumer spending is less, which has a negative influence on business.
- Business has to contribute more towards medical aid schemes.
- Children of parents who have died because of this illness, became a burden to the community because of housing, education and care of these children. **(Any 3 x 2) (6)**  
**[12]**

**QUESTION 3: 10 minutes 8 marks***(Various sources)*

## POSSIBLE SOLUTIONS FOR THE UNEMPLOYMENT PROBLEM

- Business can be socially responsible by providing education and training for disadvantaged people through skills development. √√
- Developing of entrepreneurial skills to give persons the opportunity to create jobs for themselves as well as for other people.
- Encourage learners to qualify themselves in a career field where jobs are available.
- Learnership projects which give persons the opportunity to earn a salary, while they are being trained for a specific career.
- Job creation projects by local municipalities and other institutions.
- Implementation of the Skills Development Act and the expanding of SETAs.

**(Any 4 x 2) [8]**

## SESSION 2 SELF STUDY

## TOPIC 1: LEGISLATION (EMPLOYMENT EQUITY AND BROAD-BASED BLACK ECONOMIC EMPOWERMENT)

**Learner Note:** All legislation is compulsory. Businesses do not have the option of non-compliance but can develop strategies to accommodate legislation. After the Apartheid regime certain labour legislation had to be introduced or revised. You are required to know all the provisions of every Act. Study the notes and answer the questions.

## SECTION A: TYPICAL EXAM QUESTIONS

**QUESTION 1:** 20 minutes 18 marks (DOE Various papers)

Four possible options are provided as answers to the following questions. Choose the correct answer and write only the letter (A – D) next to the question number, for example 1.7 B

- Prevents unfair discrimination against employees in the workplace: (Nov. 2010)
  - Employment Equity Act, 1998 (Act 55 of 1998)
  - Skills Development Act, 1998 (Act 97 of 1998)
  - Basic Conditions of Employment Act, 1997 (Act 75 of 1997)
  - Broad-based Black Economic Empowerment Act, 2005 (Act 53 of 2003)
- A business which employs more than 50 workers and has a turnover of R10 million, must submit this document to the Department of Labour once every two years: (Mar. 2010)
  - Equity plan
  - Marketing strategy
  - Business plan
  - Code of conduct
- Which ONE of the following methods is implemented by government to stimulate overall economic growth? (Mar. 2009)
  - Implementing a new medical aid fund
  - Sponsoring an Aids orphanage
  - Increasing the interest rate
  - Introducing the Broad-based Black Economic Empowerment Act
- This legislation was created to ensure that qualified people from designated groups have equal opportunities in the workplace. (Sunday Times Avusa Exemplars)
  - Affirmative action
  - Unemployment Insurance Act
  - Skills Development Act
  - Black Empowerment Act

5. The South African government introduced this Act in 2003 as a method of growing the country's economy, eradicating poverty, creating jobs and enforcing the concept of transformation in the workplace: *(Exemplar 2008)*
- A Industry Charter
  - B Broad-based Black Economic Empowerment (BBBEE)
  - C National Credit Act
  - D BBBEE Codes of Good Practice
6. Businesses complying with this Act are awarded government contracts based on points obtained on a scorecard: *(Prelim. 2008)*
- A South African Qualification Authority Act
  - B Skills Development Act
  - C Black Economic Empowerment Act
  - D Employment Equity Act
7. This Act was introduced in 2003 with the following objectives: *(Sunday Times Avusa Exemplars)*
- to grow the country's economy
  - to eradicate poverty
  - to create jobs
  - to enforce transformation in the workplace
- A. Industry Charter
  - B. Broad-based Black Economic Empowerment (BBBEE)
  - C. National Credit Act
  - D. BBBEE Codes of Good Practice
8. This legislation ensures that qualified people from designated groups have equal opportunities in the workplace: *(Exemplar 2008)*
- A Affirmative action
  - B Unemployment Insurance Act
  - C Skills Development Act
  - D Black Empowerment Act
9. Which ONE of the following laws in South Africa promotes inclusivity? *(Nov. 2009)*
- A Skills Development Act, 1998 (Act 97 of 1998)
  - B South African Qualifications Authority Act, 1995 (Act 58 of 1995)
  - C Basic Conditions of Employment Act, 1997 (Act 75 of 1997)
  - D Employment Equity Act, 1998 (Act 55 of 1998) *(9 x 2) [18]*

**QUESTION 2: 10 minutes 12 marks***(DOE Nov. 2009)***HINT:** Question 2.2 requires examples. 2 marks for fact and 1 mark for example.

The following questions are based on BBBEE.

- 2.1 Write down the full term for the abbreviation BBBEE. (2)
- 2.2 Justify the introduction of the BBBEE Act by explaining any TWO examples. (6)
- 2.3 Suggest TWO ways in which the BBBEE Act can be applied to a company that has a large sugar plantation. (4)
- [12]

**QUESTION 3: 10 minutes 10 marks***(DOE Nov. 2008)***Hint:** 2 marks per fact.  $2 \times 2 = (4)$ 

Answer the following questions based on the Employment Equity Act, (Act 55 of 1998).

- 3.1 State the main purpose of the Employment Equity Act. (2)
- 3.2 Evaluate the impact of this Act on business operations. (4)
- 3.3 Propose TWO ways in which government can contribute to the successful implementation of this Act. (4)
- [10]

**TOPIC 2: LEGISLATION (NATIONAL CREDIT ACT) (Act 34 of 2005)**

**Learner Note:** This Act is an existing Act which had to be revised as too much credit was being made available by businesses and banks. In this way credit accessibility could be tightened.

**SECTION A: TYPICAL EXAM QUESTIONS****QUESTION 1: 5 minutes 6 marks***(DOE Nov. 2010)***HINT:** This question is referring to credit and consumer rights.

Read the scenario below and answer the question that follows.

**MY FIRST WHEELS**

Suvarshni Naicker completed her studies at the University of KwaZulu-Natal and wanted to buy a new Toyota Yaris valued at R180 000. She applied for credit and after two days received an SMS from the sales person with the following message: 'CREDIT APPLICATION UNSUCCESSFUL.' She was very disappointed.

Explain Suvarshni's rights regarding her rejected credit application and the manner in which she was informed. [6]

**QUESTION 2:** 10 minutes 8 marks (DOE Mar. 2010)

The National Credit Act, 2005 (Act 34 of 2005) protects both the credit provider and the consumer. Do you agree with the statement? Motivate your answer. [8]

**HINTS:** When asked on your opinion give it as 2 marks get allocated for agreement or not provided you motivate. Remember, no motivation equals no marks.

**QUESTION 3:** 5 minutes 6 marks (DOE Nov. 2009)

**Hint:** This question is referring to credit and consumer rights.

Explain the National Credit Act, 2005 (Act 34 of 2005) (NCA) in terms of its benefits to consumers. [6]

**QUESTION 4:** 10 minutes 10 marks (Various sources)

Discuss any FIVE implications of the National Credit Act for any business who intends selling goods on credit. (5 x 2) [10]

**QUESTION 5:** 10 minutes 10 marks (Various sources)

As business consultant, a client of yours has asked you to explain what the purpose of the government was when it introduced the National Credit Act, 2005 (Act 34 of 2005). Discuss. [10]

**SECTION B: ADDITIONAL CONTENT NOTES**  
**TOPIC 1: LEGISLATION (EMPLOYMENT EQUITY AND BROAD BASED BLACK ECONOMIC EMPOWERMENT)**

**EMPLOYMENT EQUITY ACT, 55 OF 1998**

**Purpose**

- To get rid of unfair discrimination according to race, gender and disability.
- To promote equal opportunities and fair treatment for all employees.
- To implementing affirmative action measures by giving preference to Previously Disadvantaged Individuals when appointing new candidates.
- To ensuring equal representation by appointing candidates of all races.
- To ensure that business enterprises that employ more than 50 employees, comply with the principles of affirmative action.
- To ensure that a business which employs more than 50 workers and has a turnover of R10 million, submits an equity plan to the Department of Labour once every two years.
- To allow businesses that comply with employment equity requirements to transact with government – this serves as motivation for small businesses to be EE compliant (even if it is not enforceable by law for small business enterprises).
- To make it compulsory for large business enterprises to comply with employment equity principles.

**Advantages of this Act**

- Prevents employers of discriminating against race, gender, disability and sexual preference when persons for vacant posts are considered.
- Brings redress to people who have experienced suffering and inequality in the past.
- Promotes equal opportunities for all people in the workplace.
- Provides all candidates with an equal opportunity of being selected.
- Provides all candidates with an equal opportunity to be considered for promotion.

**Problems resulting from this Act**

- The Act remedies one set of discrimination with another set of discrimination.
- The people, who are currently benefiting from the Act, are often not the same people who were discriminated against in the past (because they are too young).
- Qualified, skilled and experienced workers are retrenched to make space for not qualified persons.
- Capable persons emigrate to get better opportunities abroad causing the economy to suffer

**BLACK ECONOMIC EMPOWERMENT ACT, 53 OF 2003****Difference between BBEE and BEE**

BBEE = Broad Based Black Economic Empowerment - Refers to the 7 pillars of empowerment

BEE = Black Economic Empowerment - Refers to inclusion of black people in a business

**Purpose**

- The purpose is to act as a mechanism of transformation for all business in South Africa.
- BBEE aims to distribute wealth amongst all South Africans by encouraging businesses to employ black South Africans.
- Ownership and senior management positions.
- BBEE is the economic empowerment of all black people including women, workers, youth, people with disabilities, and people living in rural areas.

Companies are ranked according to a total score achieved on the seven pillars of BBEE.

	<b>PILLARS</b>	
1	Ownership	<ul style="list-style-type: none"> <li>• Selling of shares to black employees to share in the profit of the company.</li> <li>• Outsourcing of certain business functions to black employees.</li> </ul>
2	Management	<ul style="list-style-type: none"> <li>• The number of people from different race groups included in the management team, specific in executive positions.</li> </ul>
3	Employment Equity	<ul style="list-style-type: none"> <li>• Equal employment opportunities to previous advantage people. Principles of affirmative action.</li> </ul>
4	Skill development	<ul style="list-style-type: none"> <li>• Points are awarded for the number of employees undergoing skill development.</li> </ul>
5	Procurements	<ul style="list-style-type: none"> <li>• Businesses will score points if they support suppliers with a diversity in their ownership.</li> </ul>
6	Business development	<ul style="list-style-type: none"> <li>• Businesses score points according to their support to other BBEE / BEE businesses.</li> </ul>
7	Social responsibility	<ul style="list-style-type: none"> <li>• Businesses will be assessed on their annually social investments projects amongst the PDIs'.</li> </ul>



- Businesses are evaluated against their contribution to BBBEE.
- Businesses who want to deliver goods or services to the local, provincial or national authority are assessed on a scale (scorecard of compliance) before the contract will be given to the business.
- Verification of BBBEE applied by businesses will be done by agencies accredited by the Department Of Commerce and Industry.
- Businesses that do not adhere to BBBEE requirements, can be fined.

## SECTION B: ADDITIONAL CONTENT NOTES

### TOPIC 2: LEGISLATION (THE NATIONAL CREDIT ACT)

#### THE NATIONAL CREDIT ACT

##### Purpose of the NCA

- This Act provides for all types of credit agreements according to goods and services rendered where a levy is applicable because payment will be in the future.
- It promotes the development of a credit market that is accessible to all South Africans.
- It promotes equity in the credit market by balancing the rights and responsibilities of credit providers and consumers.
- The Act addresses and corrects imbalances in negotiating power between consumers and credit providers.
- It encourages responsible borrowing, avoidance of over-indebtedness and fulfilment of financial obligations by consumers.
- Reckless credit granting by credit providers and contractual default by consumers is discouraged.
- Consumers are protected against careless gaining of credit, unfair interest rates in comparison with the prime rate and place greater responsibilities on credit suppliers.
- It replaces the previous legislation on credit supplying.

##### Implications for businesses

- A credit provider must provide a consumer with a quotation, showing all the relevant costs and repayment values before the credit agreement is signed.
- Before granting credit, a credit provider must assess the consumer's creditworthiness and ability to repay the credit.
- This strict credit control results in a reduction of available credit.
- The business will have a lower turnover
- It is, therefore, not only more difficult for enterprises to sell their products, but it is also more difficult for consumers to buy products.

## Advantages

- Prevent consumers from getting credit too easily because too much credit may lead to bankruptcy.
- Prevent credit suppliers to take back the goods bought on credit if consumer cannot pay.
- More responsible credit supplying and gaining of credit.
- Debtors may pay the outstanding balance, including interest and other levies, without three months notice as required previously.
- Credit suppliers must not pester consumers to agree to a credit agreement by telephone or visits at home.
- Interest rates must be clearly stipulated in advertisements for credit, before the agreement, in a format as prescribed by the National Credit Regulator.
- Credit suppliers must ensure that the debtor will be able to repay the debt before the agreement.
- The total amount of bad debt in the country will decrease.
- Debtors cannot be placed on a black-list for bad payers, before the credit suppliers have referred the debtor to a credit councillor.

## Disadvantages

- Restricts access to credit at a time of an economic slowdown.
- Many business enterprises are struggling to survive, because they depend on customers who have access to credit, especially in the motor and real estate industries.
- The standard of living of consumers is lowered as it becomes more difficult to obtain credit.
- Because of the credit policy more pressure is on the credit supplier.

## Consumer rights

- They have the right to know the reasons if credit is not granted.
- They have the right to access and challenge credit records and information.
- They have the right not to be discriminated against unfairly.
- They have the right to information in an official language.
- They have the right to information in plain and understandable language.
- Information on credit granting must be in writing and in an official language of the choice of the consumer.
- Credit granting information must be free of charge.
- Credit suppliers must provide a quotation, valued for 5 days, before the agreement.
- Credit suppliers must ensure that the consumer understands the nature of the credit agreement and that the consumer will be able to repay the debt.
- Consumers are entitled to receive a monthly statement from the credit supplier including the following: outstanding balance, amount paid already, amount in arrear, and amount to be paid in the following month.

- Consumers handed over to a credit bureau, have the right to check annually on their records with the bureau, without paying for the information.
- Debtors have the right to apply for a debt councillor to reconstruct their debts if they struggle to repay their debts.
- All costs must be clearly stipulated.

<b>SECTION C: HOMEWORK</b>
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**QUESTION 1: 10 minutes 10 marks** (DOE Mar. 2010)

The following questions are based on Black Economic Empowerment:

- 1.1 State THREE benefits of Broad-based Black Economic Empowerment (BBBEE). (6)
- 1.2 Is the implementation of the Broad-based Black Economic Empowerment Act, 2003 (Act 53 of 2003) successful? Justify your answer. (4)
- [10]

**QUESTION 2: 10 minutes 12 marks** (DOE Nov. 2008)

The following questions are based on BBBEE:

- 2.1 What do the letters 'BBBEE' stand for? (2)
- 2.2 Justify the introduction of the BBBEE Act by explaining any TWO examples. (6)
- 2.3 Suggest TWO ways in which the BBBEE Act can be applied to a company that has a large forestry plantation. (4)
- [12]

**QUESTION 3: 10 minutes 8 marks** (DOE Mar. 2009)

Discuss the main purpose of the Employment Equity Act (Act 55 of 1998) [8]

**QUESTION 4: 5 minutes 6 marks** (Various sources)

Explain any THREE advantages of the National Credit Act, 2005 for the consumer. (3 x 2) [6]

**SECTION D: SOLUTIONS AND HINTS – TOPIC 1**

**QUESTION 1**

- 4.1 A ✓✓
- 4.2 A
- 4.3 D
- 4.4 A
- 4.5 B
- 4.6 C
- 4.7 B
- 4.8 B
- 4.9 D

(9 x 2) [18]

**QUESTION 2**

2.1 Broad Based Black Economic Empowerment. ✓✓ (2)

2.2

- Ownership and management by Black people of existing or new businesses ✓✓  
e.g. Black South Africans having a majority shareholding in African Rainbow Minerals. ✓
- To promote equal employment opportunities to disadvantaged people ✓✓  
e.g. Khumba Resources employs a large number of black women. ✓  
Examples/illustrations should indicate understanding of the Act.  
If the learner mentions the other pillars with an explanation marks can be allocated.
- Employment equity
- Skills Development
- Preferential Procurement
- Enterprise development
- Corporate Social Investment (CSI)  
Examples only – no marks allocated.
- Any relevant answer related to BBBEE implementation.

Fact: Max 2  
Example: Max 1 (Any 2 x 3) (6)

2.3

- The sugar company may have its own transport business and it may outsource this function to its black employees e.g. owner driver. ✓✓
- Selling part of its shares to its black employees so that they can share in the profits of the company. ✓✓
- If a Black person has a direct interest in the business. ✓✓
- Any other business that relates to the sugar plantation and BBBEE.

(Any 2 x 2) (4)  
[12]

**QUESTION 3****3.1 State the main purpose of the Employment Equity Act.**

- To implement the affirmative action plan of the government. √√
- Businesses must create equal job opportunities for all people in the country. √√
- Eliminate unfair discrimination. √√
- Achieve diversity in the workplace. √√
- Address historical imbalances of the past. √√
- Equal representation in the workplace. √√

(Any 1 x 2) (2)

**3.2 Evaluate the impact of this Act on business operations.**

- Employers must create opportunities for previously disadvantaged /career mobility of people. √√
- Employers are prohibited from discriminating against anyone on the basis of race, gender, age or disabilities. √√
- Employers must transform their workplaces so that barriers to employment equity are eliminated. √√
- Cost implications for implementing the Act. √√
- Implementing the Act is time consuming. √√
- Staff turnover is affected. √√
- Could lead to loss of qualified workers. √√
- Could lead to conflict in the workplace. √√
- Any other relevant answer relating to the impact of the Employment Equity Act.

(Any 2 x 2) (4)

**3.3 Propose TWO ways in which government can contribute to it successful implementation of this Act.**

- Transforming the workplace through SETAs / Learnerships.
- Employers are fined if they do not implement the provisions of the Employment Equity Act. √√
- Employers must furnish regular reports to the Department of Labour on their Employment Equity plans. √√
- Sending out inspectors to monitor the implementation of the Act. √√
- Those companies who comply with the Act be given certificates / recognition √√
- Provide incentives to companies who comply with the Act. √√
- Any other relevant answer relating to government's contribution

(Any 2 x 2) (4)

**[10]**

**SECTION D: SOLUTIONS AND HINTS – TOPIC 2**

**QUESTION 1**

**Rights**

- Protected by NCA √√
- She must obtain reasons why her credit application was unsuccessful in terms of the National Credit Act. √√
- Her right to dispute. √√
- Consider relevant answers from the Consumer Protection Act.
- Any other relevant rights regarding credit application. **b(Any 2 x 2) (4)**

**Manner/Methods**

- Depends on medium of communication in application form, e.g. in writing. √√
- Communicate via electronic mail. √√
- Any other relevant comments regarding the 'SMS'. **(Any 2 x 2) (4)**  
**Max. (6)**

**QUESTION 2**

Yes. √√ **(2)**

Motivation: Credit Provider

- Protects the credit provider against bad debts. √√
- Allowed to charge interest and other fees for the provision of credit. √√
- Credit providers will be controlled by a regulatory body. √√
- The credit agreement must be in writing. √√
- Any other relevant answer related to benefits of the NCA to credit providers. **(Any 3 x 2) (6)**

**OR**

Motivation: Consumer

- Right not to be discriminated against by credit providers when deciding to provide credit or not. √√
- Consumers are entitled to be given reasons for credit refusal. √√
- Consumers have right to information in any official language. √√
- Consumers have rights to receive information free of charge. √√
- They have rights to receive monthly statements of accounts. √√
- All costs of credit such as documentation fees, administration fees must be disclosed to the consumer. √√
- Any other relevant answer related to benefits of the NCA to consumers. **(Any 3 x 2) (6)**

**OR**

No. √√ **(2)**

Motivation: Credit provider

- Loss of business. √√
- Must be NCA compliant. √√
- Proper credit vetting (approval procedures) must be in place.
- Retrenchment of workers. √√
- In the event of non payment by the consumer the credit provider could also bear the loss. √√
- Must provide the credit agreement in the preferred language of the client. √√
- Any other relevant answer related to disadvantages of NCA to the credit provider.

(Any 3 x 2) (6)

**OR**

Motivation: Consumer

- Cannot access credit easily. √√
- May affect (lower) his standard of living. √√
- Credit limit is based on net income and the ability to repay his debt (affordability) √√
- Any other relevant answer related to disadvantages of NCA to the consumer. Yes/No (2)

**Yes or No without motivation – No marks must be allocated**

(Any 3 x 2) (6)

**Max. [8]**

### QUESTION 3

- Financial institutions and other credit providers are not allowed to discriminate against consumers when deciding on whether to grant credit or not. √√
- The consumers must be provided with reasons for the credit application being unsuccessful. √√
- The consumer enjoys the right to receive feedback from the institution without any costs being incurred by him/her. √√
- The consumer has the right to receive feedback in his/her designated official language. √√
- All costs must be clearly stated. √√
- Responsible access to credit/protect the consumer against unfair credit practices. √√
- Avoid excess credit granted to consumers. √√
- Apply for debt counselling. √√
- Any other relevant benefit to consumers regarding the NCA.

(Any 3 x 2) [6]

### QUESTION 4

Implications for businesses

- A credit provider must provide a consumer with a quotation, showing all the relevant costs and repayment values before the credit agreement is signed. √√
- Before granting credit, a credit provider must assess the consumer's creditworthiness and ability to repay the credit. √√
- This strict credit control results in a reduction of available credit. √√
- It is, therefore, not only more difficult for enterprises to sell their products,
- but it is also more difficult for consumers to buy products. √√
- The business will have a lower turnover. √√

(Any 5 x 2) [10]

**QUESTION 5**

- This Act provides for all types of credit agreements according to goods and services rendered where a levy is applicable because payment will be in the future. √√
- It promotes the development of a credit market that is accessible to all South Africans. √√
- It promotes equity in the credit market by balancing the rights and responsibilities of credit providers and consumers. √√
- The Act addresses and corrects imbalances in negotiating power between consumers and credit providers. √√
- It encourages responsible borrowing, avoidance of over-indebtedness and fulfilment of financial obligations by consumers. √√
- Reckless credit granting by credit providers and contractual default by consumers is discouraged. √√
- Consumers are protected against careless gaining of credit, unfair interest rates in comparison with the prime rate and place greater responsibilities on credit suppliers. √√
- It replaces the previous legislation on credit supplying. √√ (Any 5 x 2) **[10]**